



RRB News

U.S. Railroad Retirement Board

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Proposed Rules Would Mandate Electronic Payments For RRB Beneficiaries Still Receiving Paper Checks

Paper checks may be a thing of the past for U.S. Railroad Retirement Board (RRB) beneficiaries who still receive them, under a recent initiative announced by the Department of the Treasury.

One part of the Treasury initiative would eliminate the vast majority of paper checks for federal benefit payments over the next 3 years. New recipients of federal benefits would receive such payments by electronic means starting March 1, 2011. Individuals already on the benefit rolls as of that date could continue to receive paper checks until March 1, 2013.

The most common form of electronic payment for railroad retirement, social security and veterans benefits is through Direct Deposit, in which the amount is automatically transferred to an individual's bank account. The RRB currently pays approximately 90 percent of its benefits by Direct Deposit, which is greater than the government-wide average of about 85 percent.

However, a significant number of beneficiaries who receive paper checks do not have bank accounts. As a result, the new initiative will use Treasury's Direct Express debit card to pay these individuals. The amount of the government benefits will be loaded onto the card, which can then be used like an ordinary debit card.

Currently, individuals applying for federal benefits can obtain a waiver from electronic payment by certifying that they do not have a bank account or that it would otherwise impose a hardship. Under the Treasury proposal, agencies would still be able to grant waivers, but in very limited cases. Examples include payment to individuals living in foreign countries, certain disaster or military situations, and non-recurring, one-time payments.

While it only costs 10.5 cents to issue an electronic payment, it costs the government \$1.03 to issue a paper check. By shifting the 136 million federal benefit checks issued in a year to electronic

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payment, the government will save about \$125 million in processing costs and more than 2 million pounds of paper.

In addition to cost considerations, electronic payment has the added benefit of providing a faster, more secure means of payment. Electronic payments are credited to the recipient's account the day the payment is due, and there is no opportunity for the payment to be lost in the mail, stolen or forged. The debit cards, which currently carry a MasterCard logo, also allow the holder to avoid paying fees for check-cashing services. The primary benefit of these cards is that recipients will be able to use them to purchase goods and services at the point of sale or obtain cash through a nationwide network of automated teller machines.

Treasury published proposed regulations to implement this initiative in the *Federal Register* on June 17, 2010, with comments accepted until August 16, 2010. Additional information on the initiative is also available on Treasury's web site, www.godirect.gov.

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